

# FINAL BILL REPORT

## EHB 3360

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Synopsis as Enacted

**Brief Description:** Increasing the availability of funds for the time certificate of deposit investment program.

**Sponsors:** By Representatives Hasegawa and Santos.

**House Committee on Finance**

**Senate Committee on Ways & Means**

**Background:**

The Linked Deposit Program (Program) was created in 1993. The stated purpose of the program is to increase access to business capital for the state's certified minority-owned and women-owned businesses. Under the Program, certified businesses may obtain reduced interest rate loans from participating financial institutions.

The State Treasurer is authorized to use up to \$150 million of short-term state treasury surplus funds for the Program. These funds are deposited with public depositories as certificates of deposit (CDs) on the condition that the public depository make "qualifying loans" under the Program. The state forgoes up to 2 percent in interest on the CDs and passes along the savings to the public depository with the condition that the depository reduce the interest rate for the loan recipients. The State Treasurer must reduce the amount of the preference to ensure that the effective interest rate on the certificate of deposit is not less than 2 percent. If the preference given to a qualified public depository is less than 200 basis points, the qualified public depository may reduce the interest rate on the loans by an amount that corresponds to the reduction in the preference below 200 basis points.

Qualifying loans are loans:

- made to certain minority or women's business enterprises;
- for a period not to exceed 10 years;
- for up to a maximum amount of \$1 million for each individual loan;
- at an interest rate that is at least 2 percentage points below the market rate that normally would be charged for a loan of that type; and
- with points or origination fees that are limited to 1 percent of the loan principal.

To be eligible, the applicant must:

- be a minority and/or a woman;
- have at least 51 percent of ownership of the business; and
- control the business.

Three state agencies are involved in the Program. The State Treasurer is authorized to fund the Program. The Office of Minority and Women's Business Enterprises (OMWBE) certifies

the eligibility of the businesses, monitors the performance of loans, and compiles information on borrowers in the Program. The Department of Community, Trade and Economic Development provides technical assistance and loan packaging services and, in consultation with the OMBWE, develops performance indicators for the Program.

The Department of Veterans Affairs (DVA) is required to maintain a current list of veteran-owned businesses and provide the list on the DVA's public website. To qualify as a veteran-owned business, the business must be at least 51 percent owned and controlled by a veteran or an active or reserve member of the armed forces.

**Summary:**

The State Treasurer is authorized to use an additional \$25 million of short-term state treasury surplus funds for the existing Linked Deposit Program for minority or women-owned businesses.

The State Treasurer is authorized to use an additional \$15 million of short-term state treasury surplus funds for a new Linked Deposit Program for veteran-owned businesses. To participate in the Linked Deposit Program, a veteran-owned business must be certified by the DVA that it meets three requirements:

- (1) the veteran owner has sufficient expertise in the business's field of operation;
- (2) the veteran-owned business is a for-profit organization performing a commercially useful function; and
- (3) the veteran-owned business satisfies the criteria for small business concern.

The \$25 million and \$15 million increases for minority or women-owned businesses and veteran-owned businesses, respectively, bring the total amount available for the Linked Deposit Program to \$190 million.

The Department of Veterans Affairs is required to report to the Legislature by December 1, 2008, on the progress made in implementing the Linked Deposit Program for veteran-owned businesses.

**Votes on Final Passage:**

House	94	1	
Senate	40	9	(Senate amended)
House	97	0	(House concurred)

**Effective:** June 12, 2008